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Foreign Agriculture

June 1984

Market Development Opens Doors In Arab World

Marketing News

MEF Team Reviews Far East Market

Representatives of the **U.S. Meat Export Federation (MEF)** recently had a firsthand look at the direction of U.S. meat trade in the Far East. After spending a week in Japan reviewing that country's food distribution system, MEF Chairman Don Butler expressed optimism about the U.S. meat industry's ability to supply a type of beef that would find a niche between Japan's own Waygu beef and domestically produced dairy beef.

Butler and MEF Board of Director member Bill Farr were invited to Japan by the Japanese International Agricultural Council to study that country's food production and distribution system. "Our message to the Japanese throughout our mission was that we are striving for compatibility with their beef industry," said Butler. "...I am confident our differences will be overcome and I am optimistic about the future of our beef trade with Japan."

Elsewhere in the Far East, following a tour of Singapore, Hong Kong and South Korea, MEF Chairman Butler and President Alan Middaugh said a strong market for U.S. meat products exists in all three markets, particularly within the hotel/restaurant industry. Butler called Singapore "the key to the ASEAN (Association of South East Asian Nations) region," citing potential U.S. meat sales at the retail level.

Middaugh saw an opportunity for the United States to increase its market share in Singapore (and in other countries as well) with less expensive but good quality meat products such as "no roll" beef. "The necessity for U.S. suppliers to devote more time in the Far East was evident," said Butler. "At the U.S. agricultural trade office in Hong Kong, for example, only three U.S. packers had signed the guest register over the past year. U.S. suppliers must spend more time in the marketplace developing their product for the market."

Both Butler and Middaugh agreed that the South Korean meat industry is still in its infancy. The country, for example, has no domestic meat grading system and has called on the MEF to help it establish one. In all three countries, the strength of the U.S. dollar continues to be the number one deterrent to higher levels of U.S. meat sales.

Update on U.S. Trade Events in Japan

The schedule of upcoming trade events in Japan listed in the January issue of *Foreign Agriculture* has been revised. This summer, there will be agent shows in Nagoya, Sapporo and Kanazawa. MEF has no plans to hold a red meat show in Japan this year. The wine promotions were held in November 1983, not November 1984.

SUSTA Mission Promotes Wood Exports to Europe

The **Southern U.S. Trade Association (SUSTA)** is stepping up its emphasis on forest products exports and, as part of that emphasis, sponsored a recent forest product sales team to the United Kingdom and West Germany. Team members met with industry associations, mills, exporters and U.S. agricultural representatives overseas.

In the United Kingdom, the eight-person group learned that the reasons for selecting a timber supplier are quality, price and consistent supply. Freight rates are a major problem facing southern yellow pine shippers, they were told. In West Germany, the constant themes again were quality, price and reliability of supply. Although there seemed to be little interest in softwoods in the United Kingdom, they were a high industry priority in West Germany.

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Features

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Market Development Paying Off in Arab World

By Kent Sisson

Stretching from the shores of the Atlantic to the Arabian Sea is one of the faster growing markets for U.S. agricultural exports.

While the value of all U.S. farm exports slipped 11 percent in the past fiscal year, purchases by 16 Arab nations in North Africa and Mideast bucked the trend. From fiscal 1982 to fiscal 1983, U.S. agricultural exports jumped 14 percent to $2.6 billion to these 16 markets— which ranged from the Maghreb countries of Morocco, Algeria and Tunisia to Egypt, Sudan, Jordan, Lebanon, Syria and Iraq; from Saudi Arabia to Kuwait, Bahrain, Qatar, United Arab Emirates, Oman and Yemen (Sana).

The trade outlook for fiscal 1984 points to another moderate increase in U.S. agricultural sales to this area.

Cooperators Form Vanguard In These Markets

FAS market development cooperators are playing a key role in the expansion of U.S. agricultural sales to these countries.

The FAS market development program in these regions and elsewhere operates under a joint agri-industry/ government partnership that began in 1955. Through this program, the government underwrites part of the cooperators' funding for promoting U.S. agricultural products overseas.

Today, FAS has agreements with more than 50 cooperators, reflecting the farming interests of the whole spectrum of U.S. agriculture. Thirty of these cooperators have export activities underway in North Africa and the Middle East.

U.S. marketing efforts in these regions range from feed grain workshops for livestock and poultry producers in Algeria to the promotion of wheat and rice for human consumption in Yemen.

Egypt, the largest U.S. farm market in this area, draws a crowd. Twenty-two cooperators are active in this market in fiscal 1984, followed by 18 in Saudi Arabia, 13 in Bahrain and the United Arab Emirates and 12 in both Morocco and Algeria.

The widest ranging cooperator in these regions is U.S. Wheat Associates with projects in all 16 countries. Other leaders are the Atlanta-based USA Poultry and Egg Export Council which has taken over the overseas market development programs of the Poultry and Egg Institute of America and is active in 15 countries; the Rice Council for Market Development in 12 markets; the U.S. Feed Grains Council in 11 nations; and the American Soybean Association in 10 countries.

Marked Trade Benefits

Export efforts by the cooperators also have advantages for our trading partners in North Africa and the Middle East. For example, activities targeted at the Arab world are designed to enhance diets in both nutritional quality and variety and boost technological advances in such areas as food and feed processing, livestock production and grain storage and handling.

Also, cooperator assistance in the growth and development of new facilities and production processes often leads to increased economic activity and employment in recipient countries.

In addition to cooperator activities, high-level trade missions underline the importance of Arab markets for American exporters.

In February, Secretary of Agriculture John R. Block and representatives of the American Soybean Association, U.S. Feed Grains Council and U.S. Wheat Associates traveled to North Africa and the Middle East to strengthen U.S. farm trade relationships.

Cooperators Planning Programs for Fiscal 1985

Major market development programs planned by cooperators for fiscal 1985 in North Africa and the Middle East include:

• U.S. Wheat Associates' marketing efforts encompass about a dozen Arab countries. Plans include a wheat marketing conference, technical assistance to bakery and storage industries, baking and milling seminars, and scholarships to baking and milling schools.

• Millers National Federation intends to extend help to Egypt on the logistics and handling of flour.

• Rice Council for Market Development is focusing on Iraq by conducting a food exhibit and seminar and by providing technical services to the rice milling industries.

• American Soybean Association is planning a soy oil conference in Tunisia and the hiring of a representative in Syria to coordinate ASA activities there.

• National Peanut Council is targeting a promotion of peanut and peanut products in Saudi Arabia.

• California Raisin Advisory Board has advertising campaigns and point-of-sale promotions on tap in Bahrain, Saudi Arabia and the United Arab Emirates.

• California Cling Peach Advisory Board plans media trade promotions in Kuwait and Saudi Arabia.

• Tanners' Council of America is planning to participate in a leather exhibit in Egypt and will hold a technical seminar there.

• Marketing goals of the U.S. Feed Grains Council include technical aid to dairy cattle and lamb producers in Saudi Arabia.

• U.S. Meat Export Federation intends to distribute cooking and processing information in Saudi Arabia and the United Arab Emirates.

• The USA Poultry and Egg Export Council is planning advertising promotions in Saudi Arabia.

In Algeria, the United States signed an agreement of agricultural cooperation for "the mutual advantages of both peoples."

USDA export credit programs have been announced for Algeria, Egypt, Iraq, Morocco and Tunisia to help these countries expand their imports of U.S. wheat. In addition, P.L. 480 agreements have signed recently with Egypt for the purchase of U.S. wheat and wheat flour and with Morocco for wheat.

Last June, FAS sponsored a trade mission to study the potential for expanding agribusiness investment as a means to boost trade with Tunisia. The mission included experts from the American Seed Trade Association, American Soybean Association, Holstein-Friesian Association of America, and U.S. Feed Grains Council.

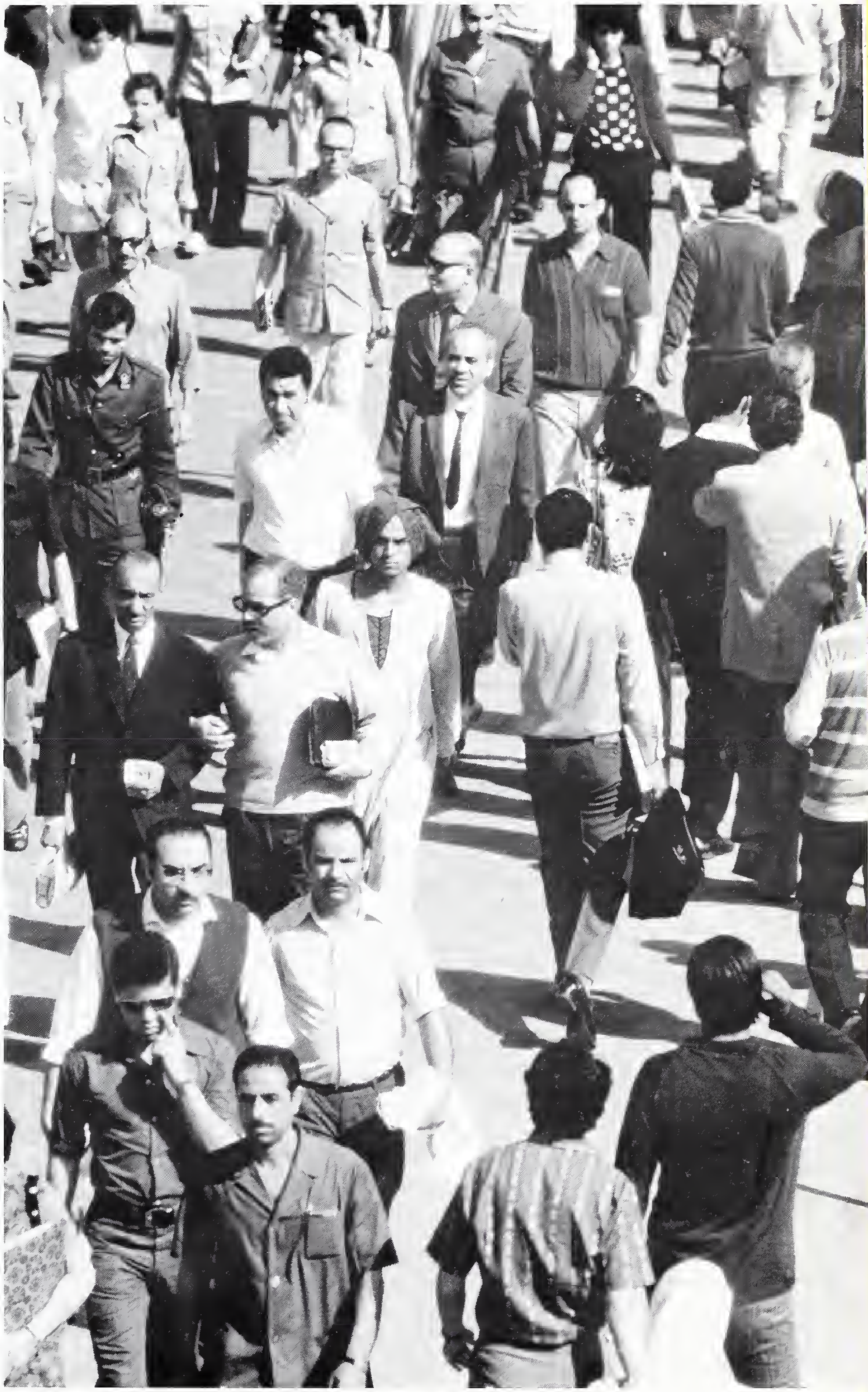
Competition Is Keen

A large factor in the trade equation in this area is the proximity and traditional ties of Europe with countries in North Africa and the Middle East and the continuing use of subsidies by the European Community (EC). EC commodities moving into export under subsidy include wheat, wheat flour, livestock and meats, poultry and dairy products.

Trade Teams Play Vital Role

The use of trade teams is a valuable marketing tool in the cooperators' drive to establish lasting trade ties in North Africa and the Middle East. Consisting primarily of agricultural technicians and consultants, these teams provide expertise to developing countries.

For instance, the National Renderers Association sent a tallow specialist to help the Egyptian soap and feeding industries; an animal nutritionist from the U.S. Feed Grains Council assisted livestock producers in Algeria and



Black Star

Morocco; and the National Sunflower Association sent a specialist to help the Algerians solve vegetable oil storage problems.

Reciprocal team visits by Arabs to the United States have proved effective in the transfer of technology. These working trips, such as the ones that brought over Moroccan wheat millers, Egyptian poultry technicians and Algerian soybean specialists, are sponsored by cooperators.

Agricultural Trade Offices Offer One-Stop Service

Another vital trade link is the establishment of overseas agricultural trade offices that offer facilities and services for one-stop shopping for both U.S. exporters and potential buyers.

This year FAS has opened an agricultural trade office in Algeria (see story on page 9). The Algiers trade office is the twelfth one worldwide, with four located in Arab countries.

Trade offices are also operating in Jidda, Saudi Arabia; Manama, Bahrain; and Tunis, Tunisia.

Many cooperators use these trade offices as launching pads for making trade contacts throughout the Arab world—an area that is gaining increased attention among U.S. exporters of farm products. ■

The author is with the Export Programs Division, FAS. Tel. (202) 382-9169.

U.S. Farm Exports Notch Overall Gain In 16 Arab Countries[1]

(In million dollars)

Commodity Groups	FY 1982	Percent of total	FY 1983	Percent of total
Grain & feed	$1,537	68	$1,942	75
Livestock & livestock products	171	8	186	7
Oilseeds & products	219	10	172	7
Fruits & vegetables	139	6	127	5
Sugar/tropical products	51	2	50	2
Tobacco	54	2	49	2
Poultry & poultry products	66	3	28	1
Dairy products	8	(2)	23	(2)
Seeds	23	(2)	20	(2)
Cotton & linters	8	(2)	8	(2)
Total [3]	**$2,277**	·	**$2,606**	·

1 Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates and Yemen (Sana).

2 Less than 1 percent.

3 Figures may not add due to rounding.

Cooperators Active in North Africa, Middle East

The following cooperators have market development programs in North Africa and the Middle East in fiscal 1984. For cooperators' home office addresses in the United States, see *Foreign Agriculture*, April, 1984.

American Seed Trade Association
American Soybean Association
Brown Swiss Cattle Breeders Association
California Cling Peach Advisory Board
California Table Grape Commission
Cotton Council International
Eastern U.S. Agricultural and Food Export Council
Holstein-Friesian Association of America
Mid-America International Agri-Trade Council
Millers National Federation
National Association of State Departments of Agriculture
National Cottonseed Products Association
National Dry Bean Association
National Forest Products Association
National Potato Promotion Board
National Hay Association
National Renderers Association
National Sunflower Association
Northwest Horticultural Council
Protein Grain Products International
Rice Council for Market Development
USA Poultry and Egg Export Council
Southern United States Trade Association
Tobacco Cooperators
USA Dry Pea and Lentil Council
U.S. Beef Breeds Council
U.S. Feed Grains Council
U.S. Meat Export Federation
U.S. Wheat Associates
Western U.S. Agricultural Trade Association

Country Briefs

Argentina

Fertilizer Imports Encouraged To Boost Grain Production

Argentina's Secretary of Agriculture is looking to stimulate further expansion of grains and oilseed production by lessening input costs and improving the country's marketing infrastructure. A first step in this direction has been taken with the reduction in the taxes on fertilizer and the encouragement of its use, particularly for wheat. (Grains and oilseeds together generate about half of Argentina's total agricultural and industrial export earnings.)

To maximize fertilizer use on the next wheat crop, Argentina's Grain Board has been directed to import fertilizer, specifically urea, for delivery before planting gets underway in June-August. The Board's fertilizer is to be delivered to local co-ops and grain wholesalers, which in turn will pass it on to wheat farmers. For each ton of fertilizer delivered, the Grain Board will receive an as yet unspecified amount of wheat from the upcoming harvest in December 1984 as repayment.

The Argentine government hopes these measures will increase the fertilized grain area by 700,000 hectares next season. Nearly all of the increase will be in wheat area since substantially more research has been done on wheat than any other grain or oilseed crop. Currently almost no fertilizer is being used on corn—and yields are only about half those in the United States. Total fertilized grain area could increase three- or fourfold in the next three of four years, according to the Secretary of Agriculture. Corn is likely to receive increased attention in the future. *—Lawrence E. Hall, Agricultural Attache, Buenos Aires.*

Canada

Freight Rate Changes Could Spur Sales to U.S.

Cheaper freight rates are expected to push more Canadian grains and feeds onto the U.S. market in the months ahead. Under the Western Grain Transportation Act, which replaced the 86-year-old Crow's Nest Pass rail rates, the United States has been designated as an export area and, as such, is eligible for subsidized transportation rates. Previously the United States was considered a domestic market and shipments to the western United States were charged full commercial rates. The new designation means that grain for use in the United States can now be shipped from western Canada to the ports of Vancouver and Thunder Bay at low, subsidized rates and then moved to the United States by rail or truck.

The subsidized rates are substantially lower than commercial rates for those products that qualify. For example, freight charges for alfalfa to the West Coast have been reduced from an average of $37 per metric ton to $5.75, an 85-percent savings to the shipper.

Another significant change as a result of the act is that oilseed byproducts (oil and meal) are now eligible for the subsidized rates. Previously, only rapeseed and flaxseed were eligible for these low rates. Their byproducts moved, for the most part, at higher rates. Canadian rapeseed meal sales to the Pacific Northwest and the Northeast had already been growing in recent years, and the freight advantage will make the Canadian product even more attractive.

Canadian grains and oilseeds also are benefitting from the relative values of the U.S. and Canadian dollar. The Canadian dollar is currently worth about 80 U.S. cents, making the Canadian product cheaper for U.S. buyers. *—Mary Anne Normile and Carol Goodloe, Economic Research Service. Tel. (202) 447-8376.*

Egypt

Imports Needed To Fill Huge Wheat Demand

Egypt's wheat consumption, officially estimated at 172 kilograms per person, is among the world's highest. While this level may be at a plateau, an annual population growth rate of about 2.8 percent insures that total wheat demand will continue to rise unless policy changes are enacted to raise bread prices and/or eliminate such obvious waste as feeding bread to animals. (After the rioting in Tunisia when bread prices were raised, it seems extremely unlikely Egypt will take this course of action.)

Thus far, record wheat imports have enabled the Egyptian government to keep the country supplied with bread at some of the cheapest prices in the world—approximately 1 cent per 169-gram loaf. However, the country's wheat price structure—which reflects the government's policy of supporting the nation's consumers—has discouraged domestic wheat production which is stagnant at about 2 million metric tons. In effect, the government pays its own farmers less in local currency for a ton of wheat than it pays the world market in scarce foreign exchange.

Egypt apparently will continue to depend on wheat imports into the foreseeable future. The government is the sole importer of wheat and flour, through the General Authority for Supply Commodities (GASC), an agency of the Ministry of Supply and Home Trade. While the GASC is concerned about the conservation of scarce foreign exchange, wheat is a priority import item for Egypt. Other commodities will be eliminated before wheat imports are reduced. —*Clancy V. Jean, Agricultural Counselor, Cairo.*

Hong Kong

Taste for Western Wines Increases

Chinese rice and herbal wines traditionally have been served in Hong Kong as part of meals, feasts and entertainment in ethnic and religious festivals. However, consumption of rice wines and medicated herbal wines is beginning to wane as the increasing number of young executives educated in America, Australia and Britain are returning to Hong Kong with a taste for western-style table wines.

About 3.2 million liters of still wines were imported into Hong Kong in 1982. France, Australia and West Germany together supplied 70 percent of these imports in contrast to a U.S. share of 5 percent. However, U.S. sales of 224,000 liters were about eight times the quantity imported six years earlier.

While U.S. wines are priced competitively with French and German wines in Hong Kong, they do not have the same status appeal as European wines. Greater promotion and advertising that would create a stylish image for U.S. wines could help overcome these problems. —*Rex E. Dull, FAS. (202) 447-2974.*

Malaysia

Variety of Tactics Used To Stimulate Exports

In an effort to expand markets for its export commodities, Malaysia's Ministry of Trade and Industry has set up an office to serve as a "clearing house" for potential countertrade deals. In addition, major trading companies are being prodded into forming "sogoshoshas" on a Japanese model to facilitate this kind of business. Tenders for government purchases which include a countertrade provision are being given preference in the bid evaluation process.

The Malaysian government also has been active in forming mixed public/private sector trade promotion teams to visit consuming countries in order to stimulate interest in the purchase of value-added Malaysian commodities—in particular, palm oil and forest products. —*Daniel B. Conable, Agricultural Attache, Kuala Lumpur.*

Soviet Union

Hard Currency Position Excellent

A slight breather in agricultural imports last year and the continued development of energy resources have put the Soviet Union in a relatively good hard currency position to finance imports of Western agricultural technology and larger commodity purchases should the need arise.

In 1983 the Soviet Union decreased its hard currency debt to West European governments and banks, strengthening an already good credit rating. The improvement was largely due to growth in Soviet energy exports and a reduction in agricultural imports. Foreign trade is expected to increase again this year, and the Soviet trade surplus may widen, particularly if agricultural results are good. The Soviets are likely to continue to stress their ties with centrally planned trading partners, though some preference may also be given to those market economy countries with whom they have a favorable trade balance. —*Weyland Beeghly, Agricultural Counselor, Moscow.*

New Algeria Trade Office Boosts U.S. Export Efforts

U.S. farm exports to Algeria are expected to get a boost from the opening of a new U.S. agricultural trade office in Algiers this year.

This brings to 12 the number of agricultural trade offices around the world. These offices, situated in key markets, promote the sales of U.S. food and fiber and serve as a home base for U.S. agricultural exporters. They also act as a one-stop shopping center for foreign importers interested in purchasing U.S. farm products.

In announcing the new trade office in Algiers, Secretary of Agriculture John R. Block said that Algeria is one of the fastest growing markets in North Africa.

"With a population of 21 million and a trade surplus of nearly $3 billion," said Block, "Algeria is the kind of market we need to give more attention."

U.S. farm exports to Algeria amounted to $203 million in fiscal 1983. But this is only a small percentage of the lucrative Algerian import market worth $2.3 billion. Traditionally, continental Europe has been the big agricultural supplier to Algeria.

The Algerian Market

Algeria is one of the most important markets in North Africa. For the past 15 years, the country's trade—both agricultural and nonagricultural—has been rising steadily. Agricultural imports have doubled since 1975.

There is a wealth of potential for food product sales to the Algerian market. Algeria currently needs to import some 60 percent of its food supplies for its population, which is growing at a rate of 3.4 percent annually.

Fueled by petroleum and natural gas reserves, the Algerian economy is strong. Algeria has ambitious long-term development plans in areas ranging from health and education to agriculture and basic infrastructure.

In Algeria, purchase of agricultural products from foreign suppliers is conducted entirely through government importing offices. Most, if not all, Algerian officials insist on meeting suppliers personally. The use of agents is not allowed. (For more information on the Algerian agricultural market and how to do business there, see the September 1983 issue of *Foreign Agriculture*.).

Value-Added Exports Key To Opening Office

Roughly half of Algeria's imports are value-added products. The primary reason for opening the U.S. agricultural trade office there is to take advantage of this large market for value-added products. The Administration has pushed for more value-added exports because of the increased return to U.S. farmers and agribusiness industries.

One dollar's worth of agricultural exports generates $2.23 in additional economic activity and 3 cents in federal tax revenues. Each $1 billion in additional agricultural exports generates about 30,000 new jobs.

Black Star

USDA launched a major thrust to increase U.S. exports of high-value and value-added products in January. These products include highly processed, semi-processed and unprocessed but consumer-ready foods such as fruits and vegetables.

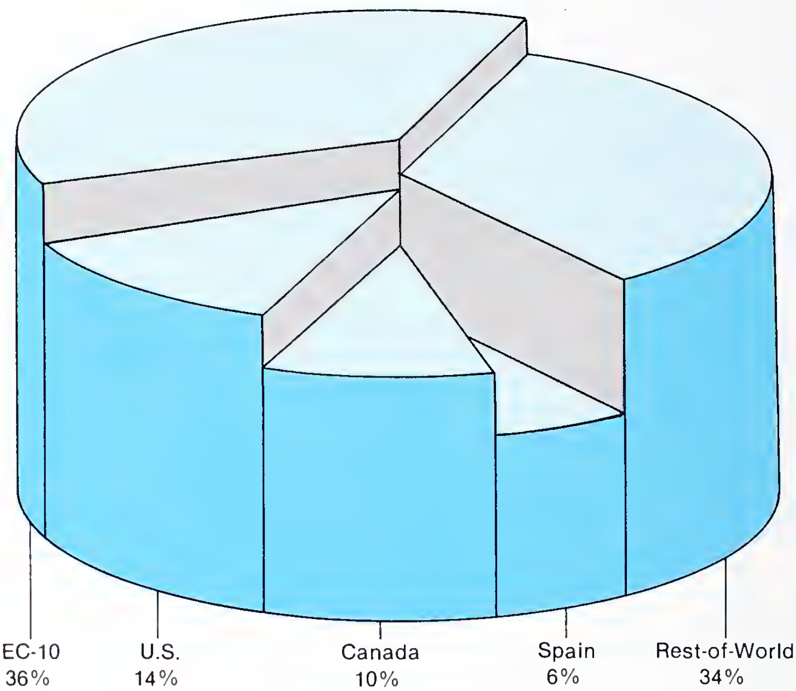
The total world market for value-added products is roughly $100 billion. And the United States is determined to gain a larger share of it. In fiscal 1983, U.S. exports of high-value and value-added products totaled about $14 million, roughly 13 percent of the total.

A boost in the U.S. share to 20 percent by the end of the decade would mean 1 million new jobs, up to $25 million more gross national product and $8 billion in foreign exchange earnings each year.

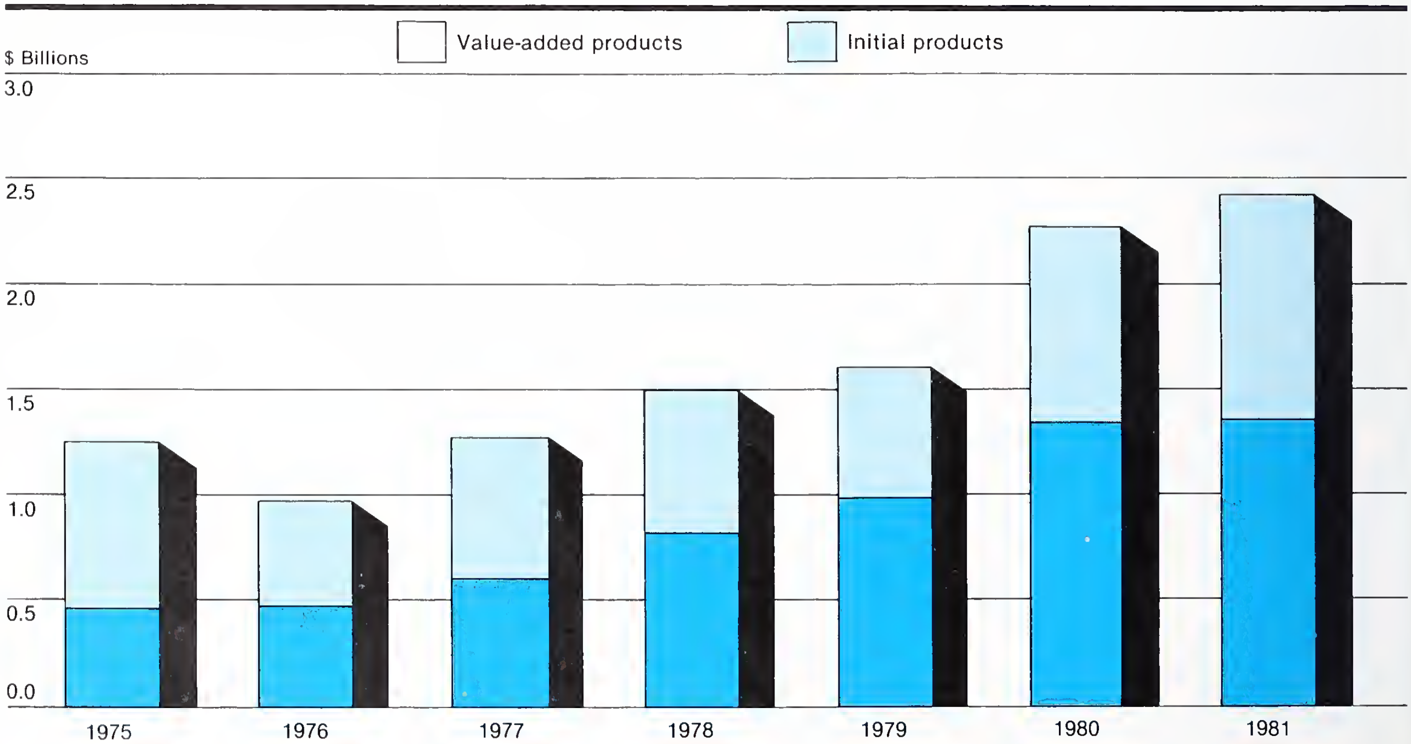
For further information, contact: U.S. Agricultural Trade Officer American Embassy 4, Chemin Cheich Bakhir, Brahimi Algiers, Algeria Tel: 60.35.46 Telex: 52064 ■

European Community is Leading Supplier to Algeria

1981



Algerian Agricultural Imports Double Since 1975 Led by Initial (Unprocessed) Products



Becoming Expert In the Export Trade

Life, it seems, begins and ends with paperwork. The same can be said for export trade—from start to finish. Here is a brief explanation of the forms, documents and requirements for moving goods overseas.

Methods of Payment

Choosing a shipper/consignee payment method (or financial instrument) depends on a buyer's credit standing, any exchange restrictions and whatever competition the seller faces.

• **Cash deposit in advance:** The safest method of exporting. When credit of the overseas buyer is doubtful, or when unstable conditions might delay return of funds from abroad, a cash deposit in advance affords the seller the greatest protection. Still, international trade conducted on a cash advance basis is small in relation to the total.

• **Open account:** The riskiest method of exporting because it has no guarantee of payment. In an open account transaction, the arrangement between buyer and seller provides for payment at some specified future date without any negotiable instrument forcing payment. If a buyer refuses to pay in specified period of time, not only are the proceeds of this transaction lost, but the merchandise as well.

Open account settlement is used primarily when sellers are dealing with buyers they know well in nearby or established markets. Sales to foreign branches or subsidiaries are also made on open account.

• **Sight draft:** Money is payable at "sight" of the completed documents. Used when sellers wish to retain control of the shipment, either for credit reasons or for the purpose of retention.

A bank is called on to act as intermediary and is presented with shipping documents and instructions not to release those documents to the importer until payment of the draft.

Though this appears relatively safe, the buyer can refuse payment of the draft when the seller's merchandise is in a foreign land, and no payment is forthcoming. The seller has two options: Ship back the cargo to the United States at seller's expense (ocean freight to and from), or sell the merchandise to another party in the foreign country.

Compared to open account shipment, the advantage of sight draft is that the sellers still retain title to their merchandise until the buyers actually make payment.

• **Time draft or acceptance draft:** Closely resembles sight draft except that a buyer can defer payment for a specified period of time after accepting the draft.

If buyer accepts drafts and refuses to pay when the time comes (30, 60, 90, or 180 days), the seller has no legal recourse against the bank that accepted the note on its behalf.

A time draft is like an open account transaction. However, compared to an open account, the time draft does place the foreign or U.S. bank in a position of intermediary for collection purposes. If buyers refuse to pay the bank on specified date, their entire credit lines are in jeopardy with the bank on future transactions.

• **Export letter of credit:** Next to cash in advance, this offers the highest degree of protection of all commonly used methods of payment. Essentially a declaration by a bank that it will make certain payments on behalf of a specified party under specified conditions. Called a "letter" because it takes the form of a notification to the recipients of these payments.

When a letter of credit is used in international transactions, more than one bank is normally involved (usually one in the buyer's country and one in the seller's).

The letter of credit authorizes the exporter to draw drafts on a bank and, by presenting the prescribed supporting documents, receive funds. Ultimate collection of those funds from importer is the banking system's concern—not the exporter's.

The two most common types of letters of credit are:

—Irrevocable letter of credit confirmed on U.S. bank. This type guarantees the seller that payment of terms and conditions of the letter of credit have been met.

—Irrevocable letter of credit confirmed by the foreign bank but not the U.S. bank. Seller is guaranteed payment by the foreign bank. The risk is minimal. In general, the only time an exporter does not get paid is when dealing with unstable governments abroad.

Foreign Freight Forwarder

A foreign freight forwarder can be an invaluable aid in export shipping.

The foreign freight forwarder acts as an exporter agent in moving cargo to overseas destinations.

Freight forwarders can assist on an order right from the start by advising an exporter of freight costs, port charges, consular fees, cost of any special documentation, insurance costs and handling fees— all helpful and necessary in preparing a quotation.

They can also recommend proper packing to ensure the merchandise arrives at destination in good condition. If desired, foreign freight forwarders can even arrange for the merchandise to be packaged at port of export. Foreign freight forwarders provide a legitimate service, and as such, the cost should be figured into the contract price charged to the customers.

When the order is ready to ship, a foreign freight forwarder reviews the letter of credit, packing list and all other documents prepared by the exporter to ensure that everything is in order. If requested, the forwarder can reserve necessary space aboard an ocean vessel. When the cargo arrives at port of export, the forwarder makes necessary arrangements for customs clearing and has it delivered to the pier in time for loading aboard the selected vessel.

The forwarder may also prepare the ocean bill of lading and any special consular documentation required. After shipment, the forwarder sends all documents to the customer, or to the paying bank with instructions to credit the exporter's account accordingly.

Export Packing

The condition of merchandise when it arrives will reflect on the total cost of shipment. When designing an export crate, you need to consider breakage, weight, moisture and pilferage.

Breakage: In addition to the normal handling experienced in a domestic movement, an export order (moving by ocean freight) will be loaded aboard a vessel by a sling, a net with other items, conveyor, chute or other methods. Much stress and strain is put on a package so the potential for breakage increases.

To minimize such damage, heavy crates should be skidded and have provisions for forklift trucks. They should also have notches to facilitate the use of slugs.

Cement coated nails are recommended for their holding power.

Packages should be strapped since this gives added strength.

Plywood sheathing is economical and strong.

Weight: In the hull of a ship, other cargo may be stacked on top of a crate or come in violent contact with it during the voyage. At the overseas destination, handling facilities may not be as sophisticated as those in the United States. As a result, cargo may be dragged, pushed, rolled and dropped during the unloading, while moving in and out of customs, or in transit to final destination.

Avoiding overpacking can help reduce damage and cut costs. Customs duties in several countries are assessed on the gross weight of the package rather than the value of the merchandise. Added weight also means higher inland freight since those changes are assessed on weight as well as measurement.

Moisture: Cargo is subject to condensation in the hull of the ship, even those equipped with air conditioning and dehumidification. Shipments may be unloaded in the rain; many foreign ports do not have covered storage facilities. Shrink wrapping or skin packing (sealing product or package in a plastic film) is an effective means of combatting moisture.

Waterproofing can be achieved using innerliners, moisture-absorbing agents, and coating finished metal parts with special rust inhibitors.

Theft and Pilferage: One deterrent is to avoid mention of the contents, trade names or trade marks on the packages. Strapping and seals also discourage theft. Shrink wrapping not only fights moisture, but can also reduce the incidence of pilferage.

Marking

Special export markers facilitate identification upon arriva These "marks" also help carriers identify the cargo to insure it arrives at a correct destination.

Legibility is of the utmost importance. Letters should be a minimum of 2 inches high, stenciled in black waterproof ir and fully exposed.

Packages should be marked on both sides prior to filling; drums marked on both the side and top.

Remove old marks completely to avoid confusion. Be sur new marks are completely dry.

In addition to port marks, customer identification codes, and indication of origin, the marks should include the package number, gross and net weights and dimensions

When shipping more than one package, be sure to mark number of packages in the shipment. Include special ha ing instructions on the package.

It is a good idea to repeat these instructions in the lang of destination country. Standard international shipping handling symbols should also be utilized.

Pro forma and Commercial Invoices

Pro forma invoices and commercial invoices are frequently used in international trade for quotations, obtaining and opening letters of credit, or obtaining import licenses.

The pro forma invoice usually contains the same information as a commercial invoice. Difference: Pro forma invoices normally allow for tolerance in quantity, value and space packing specifications if incorporated into one document.

As in a domestic shipment, good business practice dictates that a commercial invoice include full address of the shipper, seller and consignee (if different); the respective reference numbers; date of order; shipping date; mode of shipment; delivery and payment terms; a complete description of the merchandise; prices; discounts and quantities.

In addition, on an export order it is customary to indicate origin of the goods and export marks. The antidiversion clause must be shown. If payment is to be against the letter of credit, reference to the bank and corresponding credit or advise numbers must also be shown.

Exporting Documents

• **Shipper's letter of instructions:** Foreign freight forwarders supply clients with export shipping instruction forms. Checklists of pertinent information are filled out by the shipper and serve as the forwarder's guide in executing the shipment, which allows the forwarder to arrange for prompt movement of goods overseas.

• **Delivery instructions:** Instructions are initiated by shippers or foreign freight forwarders and given to delivering carriers advising pier and specified delivery date.

• **Dock receipts:** Dock receipts are used if the shipper is responsible for moving freight only to the U.S. port of export, not the foreign destination. As the name implies, it is a receipt verifying certain merchandise was received at pier for further disposition.

• **Bill of lading:** The bill of lading is the most significant and basic document in transportation. It serves as a receipt for cargo, subject to modification and explanation; an evidence of contract, subject to its terms and conditions, and a document of ownership, taking the place of the goods themselves under certain conditions for negotiation, sale or other purposes.

Bills of lading can be ocean, overland or airway bills, depending on mode of transportation or terms of sale. As in a domestic shipment, there are two basic types:

— straight or non-negotiable, and

— negotiable or "Shipper Order" bills of lading.

The latter is used for sight draft or letter of credit shipments. The shipper must endorse the original copy of the "Order" bill of lading before it is presented to the bank for collection. Endorsements may either be "in blank" or "to order of" a third party such as the negotiating bank. The letter of credit will stipulate which endorsement to use.

Except for ocean shipments, only one original bill of lading is issued by the carrier. Any number of original ocean bills of lading may be issued depending on buyer's requirements. Normally all original copies are endorsed and submitted to the bank.

An acceptable bill of lading on draft or letter of credit shipments must be marked "Clean on Board." It means the carrier has not taken any exception to the condition of the cargo or packing, and merchandise is actually loaded aboard the carrying vessel.

• **Shipper's export declaration:** An export administration document indicating proper authorization to export. It also is the source of statistical information for FT-410, the Bureau of Census' monthly foreign trade report.

• **Certificate of origin:** Though merchandise covered in a commercial invoice may contain a statement of origin, several nations require a separate certificate, sometimes countersigned by a Chamber of Commerce and possibly even visaed by its resident consul at the port of export.

Sometimes a special form from the particular foreign government is required. In other cases, a certificate on the shipper's own letterhead will suffice. Statements of origin are required to establish possible preferential rates of import duties under a most-favored-nation arrangement.

• **Consular invoices:** A few foreign countries, notably in Latin America, require a special form of invoice in addition to the commercial invoice. These documents must be prepared in the nation's native language and on official forms. They are then visaed by the resident consul, thereby certifying authenticity and correctness. It is recommended that the shipper's forwarder prepare these documents at time of shipment.

• **Inspection certificates:** To protect themselves, many foreign firms request a certificate of inspection. This may be either an affidavit by the shipper or by an independent inspection firm, as dictated by the buyer, certifying quality, quantity and conformity of goods in relation to the order. ■

*This information is based on an article in the October 1983 issue of **Inbound Traffic Guide**. For information on the publication, which is distributed without charge to qualified subscribers, write to the Editor, Inbound Traffic Guide, One Penn Plaza, New York, N.Y. 10119. —Ed.*

South African Drought Creates Markets for U.S. Corn

By Mary Ponomarenko

A second consecutive year of drought in South Africa is creating some significant market opportunities for U.S. corn exporters.

Not only is South Africa not able to export corn to its traditional markets, it is going to need to import record quantities of corn to maintain its own consumption levels. In both cases, the United States is expected to get a sizable share of the business.

From Exporter to Importer

Corn is South Africa's single largest crop and it had been a main foreign exchange earner. Average annual outturns during South Africa's 1979-83 marketing seasons (May-April) reached over 10 million tons. South African corn production reached 14.6 million tons in 1981/82—so large it created storage and transportation problems. That year exports rose to a record-large 5 million tons.

However, the recent two seasons' corn harvests have totaled only about 4 million tons each, the worst in over 20 years. As a result, South Africa has been transformed from one of the few corn exporting nations in the world into a major importer.

Projected imports during the 1984/85 marketing season are put at about 3.5 million tons—which is just about the average level of exports during the five years preceding the drought. Last season, South Africa needed to import about 2.5 million tons of corn.

Even with an improved crop next year, South Africa would likely keep a significant portion of its outturn to build up strategic stock reserves.

Earlier policies were aimed at maintaining stocks at about 900,000 tons—but recent experiences are expected to encourage even larger stock levels. It would probably take two average-to-good crop outturns to enable South Africa to export appreciable quantities of corn again.

South African Buyers Turn to U.S.

South Africa's poor crop outturns in recent years have left a number of its traditional customers looking for alternative sources of supply—and the United States has filled the gap to a large extent.

For example, South Africa has a supply agreement with Taiwan for about 600,000 tons of corn annually. In past years some shipment shortfalls were made up in a following year.

However, last season Taiwan turned to the United States to replace South African supplies, and is expected to continue larger purchases from the United States as a result of the second consecutive poor corn crop in South Africa.

U.S. corn exports to Taiwan in October-September 1982/83 reached about 3 million tons, compared to the two previous seasons' levels of about 1.6-1.7 million.

Japan was also a major South African corn buyer, with annual purchases averaging over 1 million tons and reaching as high as 2.6 million tons in October-September 1982/83. In that year, Japan imported only about 10.6 million tons of corn from the United States. Since the South African drought, however, the United States has filled the gap in Japan's import requirements, and 1982/83 U.S. exports reached over 13 million tons.

Venezuela was another identifiable South African corn market, purchasing 200,000-600,000 tons annually in recent years. Venezuela has also stepped up purchases of U.S. corn since South African corn has been unavailable.

U.S. corn exports to Venezuela were only about 400,000 tons when South African exports were at their peak. Last season, however, Venezuela brought nearly 900,000 tons of U.S. corn.

The United States is expected to continue to take up the slack left by South Africa through 1983/84 and possibly in 1984/85 as well.

Record Imports Present a Challenge

South Africa currently faces a logistical challenge in receiving and distributing the record volumes of corn expected to be imported this season. Further adding to the expected problems is the fact that imports by neighboring countries such as Zimbabwe and Zambia are likely to be shipped through South African ports.

South Africa is now able to receive corn at three ports at an average total rate of about 200,000-250,000 tons a month. A fourth port has been added to accept shipments, particularly for re-export to surrounding countries, and additional efforts also may be taken to accommodate larger vessels at these ports. However, to handle increased import volumes, South Africa will have to receive shipments regularly through the entire year—which means dependable deliveries will be essential.

U.S. To Make Sizable Sales

The United States has already sold and/or shipped about 2 million tons of corn to South Africa to supplement both seasons' drought reduced crops. In addition, South Africa has received about 650,000 tons of Argentine corn.

The United States and Argentina are likely to continue to be the top contenders for any further purchases by South Africa. It is estimated that the country may buy another million tons from world markets for shipment by the end of September, and an additional 2.5 million tons could fall into the October-September 1984/85 period.

Argentina has a transportation advantage in shipping corn to South Africa, and Argentine corn asking prices have been running below U.S. prices. However, Argentine port congestion and current concerns about shipping delays make the United States a more reliable supplier.

Substitution Could Affect Corn Import Volume

The prospects for U.S. corn sales to South Africa will also depend upon that country's inclination to replace corn import requirements with other grains.

Annual corn utilization in South Africa has reached about 7-7.5 million tons. Approximately half of this is for human consumption. On past occasions South Africa has imported 100,000-200,000 tons of wheat for human consumption to supplement domestic supplies.

South Africa has only imported marginal amounts of other coarse grains in recent years. However, it is possible that some grain—such as barley or wheat—could be imported to replace corn that would be fed to livestock. Reportedly South Africa has purchased 400,000 tons of Australian feed wheat, currently in abundant supply and competitively priced, with authorization to purchase up to a total of 750,000 tons.

Such purchases could, of course, displace potential U.S. corn sales. However, switching feeding rations from corn to wheat presents a number of problems and it is not clear whether South Africa could incorporate significant quantities of other grains into their feeding rations. Last season South Africa did not replace any of its corn import needs with the cheaper barley available at that time ■

The author is with the Grain and Feed Division, FAS. Tel. (202) 447-5413.

Fact File

General Agreement On Tariffs and Trade: What It Means to U.S. Agriculture

The General Agreement on Tariffs and Trade—GATT—is a multilateral treaty that lays down rules for international trade. These rules, agreed upon by member countries, govern their trade relations with one another. GATT also functions as the principal international body concerned with reducing or eliminating trade barriers. Thus, GATT is both a code of rules and a forum in which countries negotiate to enlarge world trading opportunities.

Ninety countries are full contracting parties to the GATT. Several other countries also participate under special temporary arrangements. Besides the United States, the full participants include the countries of the Commonwealth, most of the countries of Western Europe, and a number of Latin American, African, and Asian countries, including Japan. Together these countries account for four-fifths of world trade.

Since its inception in 1948, GATT's activities have evolved in response to major changes in the world economic scene. These changes include shifts in the relative economic strengths of countries, the emergence of the developing world as a major factor in international affairs, the trend toward regional or preferential economic groups, monetary and payment difficulties and the growing participation of East European countries in the GATT.

Ten years ago in Tokyo, Japan, over 100 nations accounting for most of world trade launched new multilateral trade negotiations within the framework of GATT. Often called the "Tokyo Round," these trade negotiations covered both tariff and nontariff barriers to trade in industrial and agricultural products. They gave particular attention to the trade problems of developing countries.

Fundamental Principles

Although the General Agreement is a long and complicated document, it is based on a comparatively few fundamental principles and aims:

Trade without discrimination. The first principle, embodied in the "most-favored nation" clause, stipulates that no country is to give special trading advantage to another; all are on an equal basis and all share the benefits of any moves toward lower trade barriers. Exceptions to this basic rule are allowed only in certain special circumstances.

Protection only through tariffs. A second basic principle is that protection should only be given to domestic industry through the customs tariff, and not through other commercial measures. The aim of this rule is to make the extent of protection clear, and to make competition possible.

Stable basis for trade. A stable and predictable basis for trade is provided by binding tariff levels on the basis of negotiations among the contracting parties. These bound items are listed for each country in tariff schedules which form an integral part of the General Agreement. Although bound tariffs may be renegotiated, a return to higher tariffs is discouraged because increases require compensation. Consequently this provision is rarely invoked.

Waiver and safeguard procedures. Under "waiver" procedures, a country may, when its economic or trade circumstances warrant, seek a waiver from a particular GATT obligation.

Also, in carefully defined circumstances, the General Agreement permits a member country to impose import restrictions or withdraw past tariff concessions on products which are being imported in such large quantities or under such conditions that they threaten serious injury to competing domestic producers. This "safeguard" provision has been invoked on relatively few occasions.

Quantitative restrictions on imports. A general prohibition of quantitative restrictions was established at a time when such restrictions were perhaps the greatest single obstacle to international trade. Today, quantitative restrictions remain numerous in the agricultural sector.

An exception to the general GATT rule against quantitative restrictions allows import restrictions on agricultural products which are necessary to enforce domestic marketing or production restriction programs, or to remove temporary surpluses.

Another exception allows the use of quantitative restrictions in balance of payments difficulties. Even then, restrictions must not be applied beyond the extent necessary to protect the balance of payments, and must be progressively reduced and eliminated as soon as they are no longer required.

Consultations and complaints. A basic principle of GATT is that member countries should consult with one another on trade matters and problems. Such consultations help to clarify difficulties and to find equitable solutions.

If a country believes that benefits that should accrue to it under the General Agreement are being nullified or impaired, or that attainment of any objective of the Agreement is being impeded, it may seek consultations with the parties concerned. If these consultations do not lead to a satisfactory adjustment, a complaint may be lodged.

Such a complaint must be promptly investigated. GATT often uses Panels of Conciliation to investigate and make recommendations. These panels, made up of members from countries which have no direct interest in the matter, frequently succeed in helping the parties concerned to reach agreement.

Regional trading arrangements. In recent years, regional trading arrangements—in which a group of countries agrees to abolish barriers against imports from one another—have been established in many parts of the world. GATT recognizes the value of closer integration of national economies through freer trade. It therefore permits such groupings as an exception to the general rule of most-favored-nation treatment, provided that certain strict rules are met. The rules are intended to ensure that the arrangements facilitate trade among participating countries without raising barriers to trade with the outside world.

Regional trade groupings may take the form of a customs union or a free trade area. In both cases, duties and other barriers to trade between countries in the group must be removed. In a free trade area, each member maintains its individual commercial policy, including its tariff towards nonmembers. A customs union adopts a unified customs tariff towards nonmembers. In either case, duties or other regulations affecting trade of members of the group with nonmembers are required to be no more restrictive than those which were applied before the group was established.

Obstacles to Agricultural Exports

In general, quantitative restrictions and other nontariff barriers are the principal obstacles to international trade in agricultural products. Governments frequently protect their farmers by instituting measures against imports and by production support policies that in turn generate surpluses which are sold on world markets at subsidized prices.

The GATT Committee on Trade in Agriculture has been at work assembling information and soliciting ideas on ways to promote freer international trade for agricultural products. The job now is to prepare solid recommendations for the general session of the GATT Contracting Parties in November. The principal issues to be addressed are elimination of agricultural export subsidies and removal of agricultural trade barriers.

Strong Push Needed To Sell Farm Products to Brazil

By Myles J. Mielke and Samuel R. Ruff

Although Brazil's agricultural imports have tapered off in recent years, it continues to be an important market for U.S. farm products.

Because of a sluggish economy, strong competition and import restrictions, U.S. farm exports to Brazil dropped to $479 million last year, down almost 9 percent from calendar 1982.

Favorable credit arrangements, other market development activities and a stepped-up consumer campaign on the quality and availability of U.S. goods could lead to more sales for U.S. exporters, even though market competition and restrictions are likely to continue through the decade.

Restrictions Limit Imports

In 1982, the Brazilian government responded to its growing debt and a stagnant economy with an austerity program to curb imports and reduce consumer and producer subsidies. Earlier, policies had been implemented to protect domestic production through high tariffs and port taxes.

The Brazilian government is the major buyer of duty-free grains for direct consumption and duty-free beef for the seasonal stockpile.

Private importers generally are subject to a variety of licenses, tariffs, quotas, exchange controls, taxes and inspections.

However, purchases of agricultural inputs such as breeding cattle, baby chicks and fertilizers are, for the most part, free from trade restrictions.

For most other agricultural inputs, there are high tariff schedules of 15 to over 100 percent. In addition, port taxes can reach 11 percent and there is a financial transaction tax of 25 percent on foreign exchange. If these do not limit imports, the government may impose licensing, quotas and other constraining mechanisms.

Within Brazil, agricultural products are generally traded openly, but are subject to taxes, subsidies, price ceilings and quality regulations.

Opportunities for U.S. Exporters

Although Brazilian policies tend to protect industry and agriculture which have potential for self-sufficiency, exceptions are made to accommodate special national needs. U.S. exporters should be aware of the following opportunities for sales:

Government food imports—In years of drought or low stocks, imports of corn, rice, and beans are needed. Seasonally, other items are also in demand.

Agricultural inputs—Generally only minimum restrictions apply to breeding cattle, breeding horses, baby chicks, hatching eggs, and seed potatoes. Demand is likely to continue for such items which fuel agricultural development.

Industrial inputs—Brazil authorizes these to use and develop the capacity of industry. Two primary examples are soybeans, which are imported duty free under a drawback system, and occasional inedible tallow imports under quota.

Food Import Needs Change But Wheat Continues at Top of List

The industrialization of Brazil over the last 20 years generated high levels of employment, sharp income growth, urbanization and shifting consumer tastes.

Consumption of foods high in carbohydrates declined and demand for high-value products such as meats, dairy products, oilseeds, fruits and high-protein cereals increased. The largest gainers were poultry and wheat. The rapid growth in poultry and, to a lesser extent, pork production, created a demand for feedstuffs which was primarily satisfied by corn and soybean meal.

Wheat will continue as the leading agricultural import and Brazil will likely increase its current annual imports of 4.4 million tons by 500,000 a year through 1990.

Although soybeans will continue to be Brazil's primary agricultural export earner, occasional large imports of beans are expected. Excess capacity will persist following a proposed expansion of some 4 million tons of crushing capacity. Attempts to use this capacity fully will continue as long as soybeans can be imported at competitive prices and markets can be found for meal and oil.

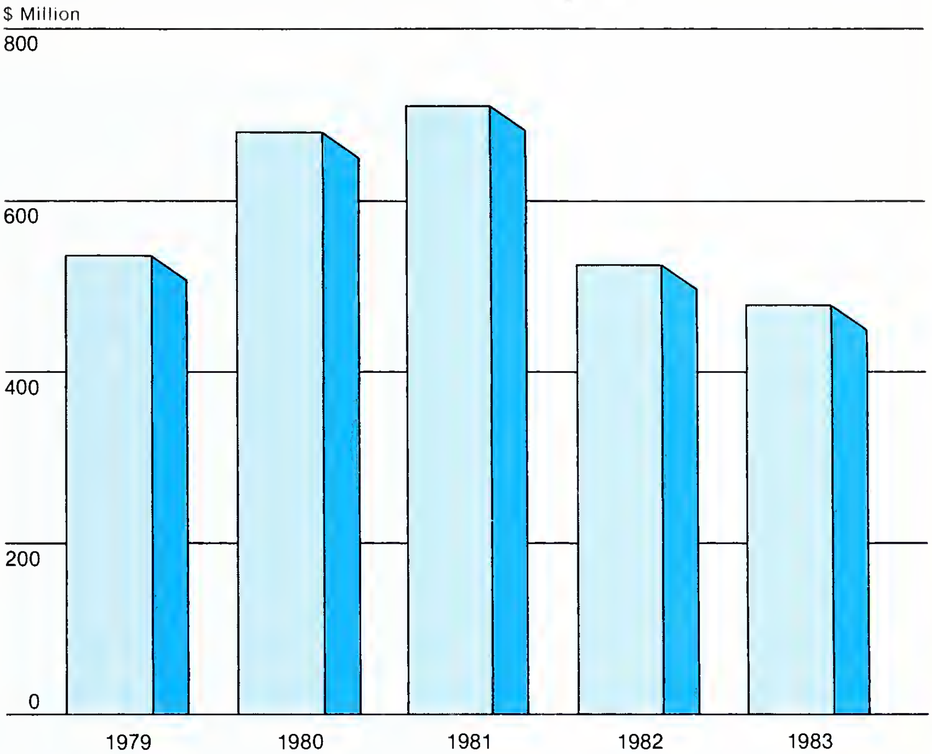
Despite the large corn and rice imports of recent years, production should satisfy demand with an exportable corn surplus building over time. However, corn exports have been banned for 1984.

Other foods that appeal to high-income people will be among commodities affected most by the slower economic growth. These include most livestock products, fresh fruits, dry legumes and sugar-based products such as soft drinks.

Market Opportunity Exists for Farm and Industrial Inputs

Somewhat less affected will be industrial inputs used to produce consumer goods such as barley, hops and malt for alcoholic beverages, hides for shoes and clothing and inedible tallow for soap and cosmetics.

U.S. Farm Exports to Brazil Dropped Last Year



Imports of agricultural inputs are expected to suffer the least, especially items used to produce goods for export, such as seeds and hides.
Some commodities are expected to experience wide variations in import levels from year to year. The future import demand for beef, tallow and hides, for example, will reflect changes in the domestic cattle cycle. Legumes and animal feed imports will vary with weather. And, in the longer term, recent increases in apple and pear plantings will reduce the need for imports of those fruits.

A growing market exists for items such as bull semen and cattle embryos. This could reduce the need to import breeding cattle, now largely supplied by Argentina and Uruguay. Live cattle imports for slaughter are expected to continue, however, especially during production shortfalls. With beef consumption stagnant, so are prospects for significant increases in beef imports.

The United States should be able to maintain its share of the Brazilian market for hops, dry edible beans, and inedible tallow.

Import markets for barley, oats, malt, butter, cheese, wool and potatoes are expanding and may open to future U.S. export development. ■

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Exports of U.S. Cattle Hides Heading Upward

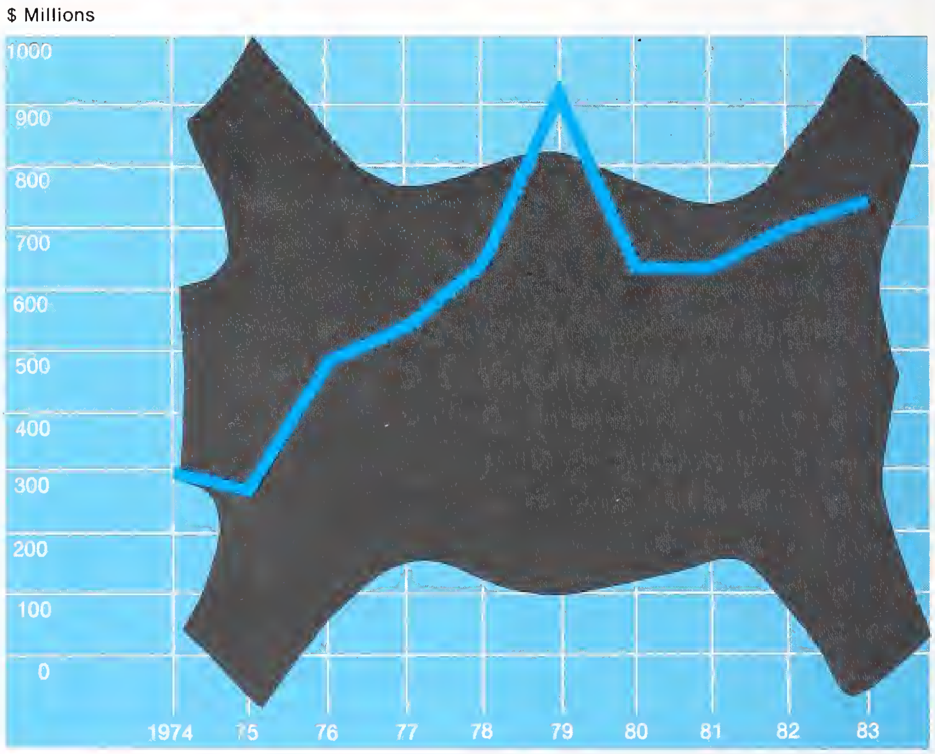
By Nick Havas

Thanks to higher prices for cattle hides, U.S. exports rose last year to the second largest level on record. Another increase is foreseen for 1984, marking the fourth straight year of value gains in U.S. cattle hide exports.

In 1983, U.S. cattle hide exports to all destinations totaled nearly 22 million pieces worth almost $736 million. This level of export earnings was exceeded only by the 1979 peak of more than $900 million. The 5-percent increase in value resulted directly from a higher average price per hide, which rose nearly $3.50 to $33.66. Export volume declined 6 percent last year.

Since the mid-1970s, U.S. exports of cattle hides have become increasingly important as a foreign exchange earner. But like last year, most of this growth has stemmed from higher prices. For example, in 1975 exported hides averaged only $12 a piece; then prices peaked at more than $38 in 1979. So far in the 1980s, prices have ranged in the low $30s.

U.S. Cattle Hide Exports Hit Second Highest Level in 1983



Few Account for Much

The United States exports cattle hides to about 60 countries. However, since 1972 the top five markets each year have accounted for roughly two-thirds of the annual export volume and an even larger share of the export value. Japan has been the most consistent top performer among major purchasers, taking 30-45 percent, value basis, of all U.S. exports.

Korea, the second most important U.S. export market since 1976, has grown at the fastest rate, rising from a market share of less that 5 percent, volume basis, to over 21 percent in I983.

Countries that have been important buyers over the past decade or so also include Mexico, Romania, Italy, Canada, Taiwan, Czechoslovakia and Spain. Other markets of opportunity are France, West Germany, Poland, Yugoslavia, the USSR and China.

Slaughter Dictates Supplies

The availability of cattle hides is heavily tied to the slaughter of animals for food use. But although hide dealers, exporters and users have no direct control over the level of hide production, those in the hide industry are by no means idle spectators, watching from the sidelines. They are active participants in the marketplace, keeping abreast of production and market trends before making large financial commitments in the buying and selling of cattle hides.

Differing Trends In Cattle Numbers

The cattle population for the 50 or so major producing countries has shown a slight uptrend since 1979—the most recent low point. However, a closer look reveals some diverging patterns.

Major cattle producers that are net hide importers or that have restrictions on hide exports show an almost uninterrupted pattern of modest growth over the past four years.

In contrast, those producers which account for the bulk of hides that move into international trade show a more cyclical pattern. This group, consisting of the United States, Canada, the European Community (EC) and Oceania, also differs from the other by having a much larger ratio of slaughter relative to cattle numbers.

Since these producers play such an important role in international trade, changes in their supplies of hides, particularly in the United States, have a significant impact on world prices. Therefore, traders in the cattle hide business pay particular attention to anticipated changes in cattle numbers in these countries.

After peaking at around 132 million head in 1975, the U.S. cattle population declined at an annual rate of 4-7 million head through 1979. From a low of nearly 111 million that year, modest gains were registered until 1982. The current downturn that began in 1983 is not expected to show much, if any, improvement until 1986 due to the cyclical nature of cattle production.

Cattle numbers in Oceania, which peaked in 1976, have fallen continuously from more than 43 million head that year to a projected 1984 low of under 29.5 million. Most of this decline has occurred in Australia, which has experienced some severe drought conditions.

Peaking at nearly 16 million head in 1977, the Canadian cattle cycle has exhibited a pattern similar to Oceania, although its straightline decline has been less severe. The EC has had the least year-to-year fluctuations, with cattle numbers remaining in the range of 77-79 million head since the mid-1970s.

Cattle Slaughter Declining This Year

This year's cattle slaughter in the 50 major cattle countries is projected at about 181.5 million head—1 percent below 1983 and almost 2.5 percent below 1982 levels. More importantly, most of the decline in slaughter is taking place in the United States, Canada, the EC and Oceania—the leading suppliers of cattle hides to world markets. As a result, hide prices are likely to strengthen in the second half of 1984.

Any real growth in global hide production in the years ahead is unlikely until the declining consumption patterns for red meats are reversed. In recent years, per capita consumption of beef and veal has been declining worldwide. Global consumption in 1983 apparently was down about 5 percent from the 1975-79 average.

Export Markets Gaining In Importance

In the last half of the 1960s, U.S. hide producers relied upon export markets for only about one-third of their annual production. The balance, including imports, was made into finished leather in U.S. tanneries for domestic use.

However, U.S. finished leather goods have faced increasing competition from foreign products and, as a result, hide processing in U.S. tanneries fell from 24-25 million pieces in the 1960s to 15-16 million today. At the same time, new tanneries have sprung up in other countries and the cattle hides needed to operate these tanneries come primarily from the United States. As a result, U.S. exports of cattle hides climbed from a range of 11-13 million pieces in the l960s to 20-25 million by the mid-1970s.

Since then, the United States has been exporting 50 percent or more of domestic cattle hide production, with the peak occurring in 1979 when nearly 70 percent went into export channels.

Clearly, under present conditions, export markets for cattle hides are not only important but an economic necessity for U.S. producers. ■

The author is with the Dairy, Livestock and Poultry Division, FAS. Tel. (202) 447-3761.

U.S. Producers Rely Heavily on Exports

Year	Head Slaughtered	Hides exported: Total pieces	Hides exported: Share of slaughter
	Mil.	*Mil.*	*Percent*
1973	34.1	16.9	49
1974	37.4	18.4	49
1975	41.5	21.3	51
1976	43.2	25.3	59
1977	42.4	24.5	58
1978	40.0	24.8	62
1979	34.0	23.7	70
1980	34.1	19.6	57
1981	35.3	19.7	56
1982	36.2	23.2	64
1983	37.0	21.9	59

Trade Updates

Hong Kong Increases Duties On Wines and Liquors

Hong Kong's importers of wines and liquors now must pay a specific duty as well as an ad valorem duty rate of 20 percent on all products brought into the country. The change was implemented by the government as a way to reduce the budget deficit expected in the new financial year.

The new duty structure has reduced the specific rates charged previously by approximately 10 percent, but added a uniform ad valorem rate of 20 percent. In effect, this will mean a reduction in the duty at the cheaper end of the market and progressively steeper increases for more expensive wines. *—Michael Humphrey, Agricultural Officer, Hong Kong.*

U.S. Orange Juice Imports On the Rise

Freezes last December are leading to larger imports of frozen concentrated orange juice (FCOJ) by the United States this season. U.S. juice processors do not maintain enough FCOJ reserves to cover large shortfalls in production—and the 1983/84 orange crop was some 21 percent smaller than the previous season.

Most U.S. imports of FCOJ come from Brazil, and to a lesser extent Mexico. FCOJ from Brazil has accounted for an average of 95 percent of the U.S. import market since 1979—and Brazil's sales to us this year are expected to exceed the previous record of 93 million gallons set in 1982. Mexico is not expected to be a big supplier, because its crop was also hurt by the December freeze as well as a drought last summer. Other occasional suppliers include Argentina, Honduras, the Dominican Republic and Belize.

The United States is also an exporter of FCOJ, although our share of the world market is declining. We now have only about 25 percent, while Brazil accounts for about three-fourths of the world export market. Brazil's citrus industry has concentrated on juice processing for exports. Between 65 and 75 percent of Brazil's oranges are used in the production of FCOJ.

The United States, Western Europe and Canada account for over 90 percent of Brazil's total FCOJ exports. Brazil also supplies Japan with 70 percent of its FCOJ imports. *—Myles Mielke and Pat Haslach, Economic Research Service. Tel. (202) 447-8133.*

Tropical Forestry Agreement Concluded

The United States recently concluded an agreement on tropical forestry with other nations under the United Nations Conference on Trade and Development (UNCTAD). The agreement will set up an international staff to gather data on tropical forest species and products, provide technical assistance on logging methods and product manufacturing, and provide forest management and silvaculture assistance to counter the problem of deforestation in some countries. The location of the office is still to be determined.

This international staff is specifically excluded from any activities that would control prices.

The agreement was concluded in Geneva late last year after five years of negotiations among UNCTAD members. Signing is expected to take place by October 1. The United States also belongs to four other UNCTAD agreements—rubber, jute, sugar and coffee. *—Vernon L. Harness, FAS. Tel. (202) 382-8138.*

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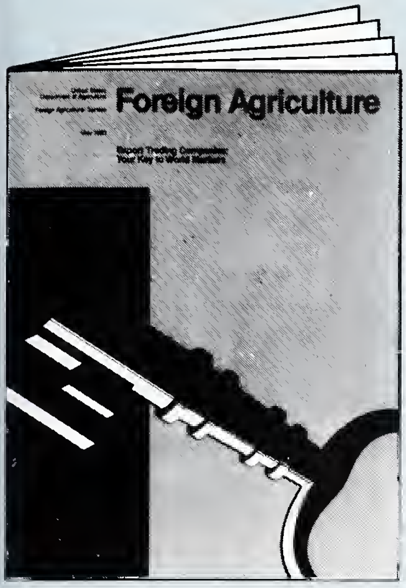

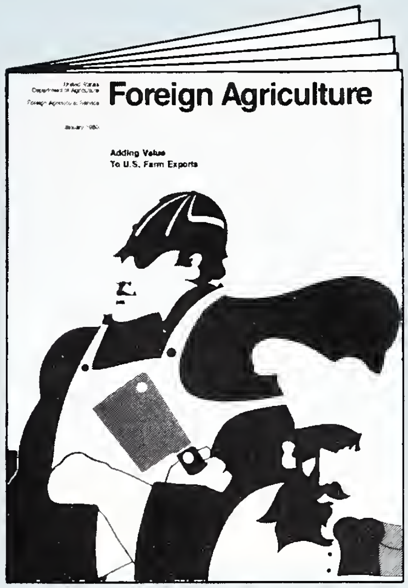

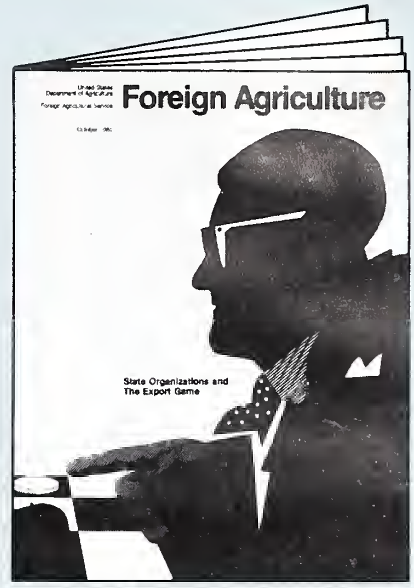

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Company Name or Additional Address Line

Street Address

City — State — Zip Code

Country

United States
Department of Agriculture
Washington, D.C. 20250

OFFICIAL BUSINESS

Penalty for Private Use, $300

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